

# CPP ANNUAL USE OF CAPITAL SURVEY - 2011



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Century Financial Services Corporation

|                                |               |  |            |
|--------------------------------|---------------|--|------------|
| Point of Contact:              | Don Padgett   | RSSD: (For Bank Holding Companies)                     | 3632756    |
| UST Sequence Number:           | 1238          | Docket Number: (For Thrift Holding Companies)          |            |
| CPP/CDCI Funds Received:       | 10,000,000    | FDIC Certificate Number: (For Depository Institutions) | 28362      |
| CPP/CDCI Funds Repaid to Date: |               | Credit Union Charter Number: (For Credit Unions)       |            |
| Date Funded (first funding):   | June 19, 2009 | City:  | Santa Fe   |
| Date Repaid <sup>1</sup> :     | N/A           | State:   | New Mexico |

<sup>1</sup>If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

**What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).**

☒ **Increase lending or reduce lending less than otherwise would have occurred.**

Portfolio loan production was down year over year due to continued economic weakness in the local economy and a construction and real estate recession. The reduced production was in loans held for sale and construction loans. The portfolio increased in 2011 by \$1 million.

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☒ **To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

The bank participated in various U.S. Small Business Administration programs and was named the 2011 New Mexico SBA Community/Rural Lender of the Year and 2011 New Mexico SBA Loan Volume Leader by the SBA for it FY 2010 production.

☒ **Increase securities purchased (ABS, MBS, etc.).**

Liquidity (MBS and Municipals) was increased to ensure adequate contingency funding and as short term investments until funds can be redeployed into loans.

☐ **Make other investments.**

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☒ **Increase reserves for non-performing assets.**

The provision for loan losses was \$3.1 million with net charge offs of \$2.8 million which increased the Allowance for Loan Losses to \$5.5 million.

☐ **Reduce borrowings.**

☒ **Increase charge-offs.**

Charge offs continued through 2011 and were up slightly from 2010.

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☐ Purchase another financial institution or purchase assets from another financial institution.

☒ Held as non-leveraged increase to total capital.

Significant amounts of funds were held in short duration mortgage securities for future deployment. Total risk based capital ratios increased to 17.34% at year end.

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### What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

Stronger Bank capital ratios have allowed for the Bank to offer lending to qualified applicants and no discontinuance of any loan type (i.e. construction, land or commercial real estate) to qualified borrowers. There were no asset class restrictions put into place because the Bank met the "bright-line" tests concerning commercial real estate.

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### What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

Lending would have been curtailed to ensure capital ratios were maintained. In addition, certain loan asset class lending (i.e. commercial real estate) would have been curtailed.

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**Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.**

The Bank's capital ratios were market leading and resulted in less consumer anxiety concerning the local banking market's safety.